

SENATE RECORD VOTE ANALYSIS

104th Congress
1st Session

Vote No. 182

May 24, 1995, 10:40 a.m.
Page S-7306 Temp. Record

BUDGET RESOLUTION/Ban on Using Fiscal Dividend for Tax Cuts

SUBJECT: Senate Concurrent Budget Resolution for fiscal years 1996-2002 . . . S. Con. Res. 13. Feingold/Hollings amendment No. 1127.

ACTION: AMENDMENT REJECTED, 44-55

SYNOPSIS: As reported, S. Con. Res. 13, the fiscal year 1996 Concurrent Budget Resolution, will reduce projected spending over 7 years to balance the budget by fiscal year (FY) 2002 without increasing taxes. Savings that will accrue from lower debt service payments (an estimated \$170 billion) will be dedicated to a reserve fund, which may be used for tax reductions after enactment of laws to ensure a balanced budget. Highlights include the following: the rate of growth in Medicare will be slowed to 7.1 percent; Medicaid's rate of growth will be slowed to 5 percent and it will be transformed into a block grant program; the Commerce Department and more than 100 other Federal programs, agencies, and commissions will be eliminated; welfare and housing programs will be reformed; agriculture, energy, and transportation subsidies will be cut; foreign aid will be cut; defense spending will be cut and then allowed to increase back to its 1995 level; and Social Security will not be altered.

The Feingold/Hollings amendment would strike section 204. Section 204 will permit the use of the fiscal dividend that the Congressional Budget Office expects will accrue from balancing the budget (due to lower debt service payments that will result from an expected 2-percent drop in interest rates) to finance tax reductions.

NOTE: The Senate subsequently voted to require using the fiscal dividend to finance tax reductions (see vote No. 214).

Those favoring the amendment contended:

We commend Senator Domenici for crafting a budget resolution that will achieve a balanced budget by the year 2002. Though we do not agree with all the specific spending cut proposals that are included in this budget, we salute his courage. Unfortunately, one small section of this resolution threatens to undo his efforts. That provision, section 204, will allow the use of the so-called fiscal dividend for tax cuts. The Feingold amendment would eliminate this section, thereby making deficit (or debt) reduction the only

(See other side)

YEAS (44)			NAYS (55)			NOT VOTING (1)	
Republicans (1 or 2%)	Democrats (43 or 93%)		Republicans (52 or 98%)	Democrats (3 or 7%)		Republicans (1)	Democrats (0)
Chafee	Akaka	Inouye	Abraham	Inhofe	Baucus	Bond- ²	
	Biden	Johnston	Ashcroft	Jeffords	Bradley		
	Bingaman	Kennedy	Bennett	Kassebaum	Lieberman		
	Boxer	Kerrey	Brown	Kempthorne			
	Breaux	Kerry	Burns	Kyl			
	Bryan	Kohl	Campbell	Lott			
	Bumpers	Lautenberg	Coats	Lugar			
	Byrd	Leahy	Cochran	Mack			
	Conrad	Levin	Cohen	McCain			
	Daschle	Mikulski	Coverdell	McConnell			
	Dodd	Moseley-Braun	Craig	Murkowski			
	Dorgan	Moynihan	D'Amato	Nickles			
	Exon	Murray	DeWine	Packwood			
	Feingold	Nunn	Dole	Pressler			
	Feinstein	Pell	Domenici	Roth			
	Ford	Pryor	Faircloth	Santorum		EXPLANATION OF ABSENCE:	
	Glenn	Reid	Frist	Shelby			
	Graham	Robb	Gorton	Simpson			
	Harkin	Rockefeller	Gramm	Smith			
	Heflin	Sarbanes	Grams	Snowe			
	Hollings	Simon	Grassley	Specter		SYMBOLS:	
		Wellstone	Gregg	Stevens			
			Hatch	Thomas			
			Hatfield	Thompson			
			Helms	Thurmond			
			Hutchison	Warner		AY—Announced Yea	
						AN—Announced Nay	
						PY—Paired Yea	
						PN—Paired Nay	

possible use for any fiscal dividend that materializes.

In the past, Congress has agreed to tax reductions based on savings that were expected to accrue, whether from spending cuts or other factors, and when those savings did not come as expected the tax cuts were left in place. With the \$170 billion dividend in this budget resolution, it appears that Congress may be about to make the same mistake again. The budget will just barely reach balance in 2002, assuming economic conditions remain favorable for the next 7 years. The great danger is that if the assumptions on which this resolution is based do not come true, then we will not get the expected fiscal dividend. However, we will have already enacted tax cuts based on our expectation of that dividend. The result will be a deficit in 2002. Giving a \$170 billion tax cut based on a guess of future savings is an irresponsible gamble that Senators should not take.

Many Republican Senators, knowing that the spending cuts they are about to pass are bound to be unpopular with the American people, may be hoping to sugarcoat the pain by passing tax cuts as well. If so, we assure them that their strategy will backfire. Tax cuts will only make their spending cuts look suspect. Americans will think they are slashing Medicare, Medicaid, the EITC program, education programs, agricultural programs, and other Government services in order to give tax relief to wealthy Americans instead of to balance the budget. Certainly many of our fellow Democratic colleagues perceive our Republican friends' proposals in this light. The financial markets, too, will look askance at any spending of a fiscal dividend that does not yet exist. In their view, it would look like Congress put the Federal Government on a diet during the day, and then gave it a banana cream pie to eat at night. Giving this money away in tax breaks by itself may be enough to destroy the economic assumptions that are supposed to create the fiscal dividend in the first place, as our colleagues have warned Democrats on some of their proposals to spend the fiscal dividend.

The best, and indeed the only defensible, use for the fiscal dividend is deficit (or debt) reduction. We remind our colleagues that this budget can only be said to be in balance if one counts the Social Security surplus in one's calculations. If Social Security is not counted, as by law it is not supposed to be, the deficit in 2002 will be \$113 billion. In other words, even though total Federal receipts will exceed total Federal outlays by \$2 billion in 2002, over \$100 billion of those receipts is money that we are supposed to be saving for Social Security instead of spending. In 2002, by Congressional Budget Office estimates, a \$50 billion fiscal dividend surplus will be generated. That surplus should be used to buy down part of this Social Security debt. In 2013, Social Security outlays will begin to exceed receipts. In 2029, the program will be totally broke. If the United States is going to meet these looming problems successfully, it is going to have to start preparing now by reducing its debt burden.

Congress, unfortunately, rarely looks beyond the next election. Both Republican and Democratic Members have this problem. Therefore, we are not faulting our colleagues for presenting us a balanced budget that does not address the Social Security problem, which extends for decades; it is a remarkable enough fact that they have made an honest 7 year plan that balances the unified budget. Still, they have put this section 204 self-destruct clause in their plan that threatens to derail their efforts. They will get blamed for making spending cuts, and they will not receive any praise because the budget will not be balanced. We Democrats strongly disagree with the means that Republicans have chosen to balance the budget, but we also strongly agree with the end. If we cannot stop the means, we at least want to make sure that they succeed; accordingly, we support the Feingold amendment.

Those opposing the amendment contended:

For the past three decades the American people have been receiving Government services paid for by money borrowed from their kids and grandkids. The budget resolution before us will stop this practice by cutting spending to balance the budget. We do not believe in raising taxes higher than they already are--the American people have never paid a greater percent of their income in taxes than they do presently, and we are not about to add to the burden. The problem is now and has always been that Congress spends too much.

However, the American people are used to Federal profligacy, and it will be difficult to adjust to less spending upon them. They understand the need for reducing spending, but they will nevertheless be hurt by less benefits. Cutting hundreds of billions of dollars in spending is no easy task. In our opinion, once they have endured these spending cuts, and the budget has been balanced, they will have earned a reward. If it is possible to reward them after the budget is balanced without reigniting deficit spending, and it is, then we think Congress should jump at the chance.

For this reason we have included section 204 in the budget resolution. The Nation's best economic forecasters have repeatedly said that if the Federal Government begins to live within its means interest rates will drop by a couple of points. If those rates drop, then Federal interest payments on the debt will also drop. According to the Congressional Budget Office, the drop in rates that will be precipitated by this particular budget resolution will result in \$170 billion in savings on interest payments over the next 7 years. Section 204 provides that once all the assumptions of spending reductions that are in this budget resolution are locked into place by the enactment of binding laws, then, and only then, may this \$170 billion fiscal dividend be given back to the American people. First and foremost, the budget must be balanced. Then, to the extent that the Congressional Budget Office says a surplus will be generated, that surplus will be given back to the American people in the form of tax relief.

Our goal is to balance the budget. Meeting that goal will require sacrifices by the American people, so once that goal is met, we think it is appropriate to reward them by reducing their tax burden. Therefore, we oppose the Feingold amendment.